

**DELMARVA POWER & LIGHT COMPANY**

**BEFORE THE  
DELAWARE PUBLIC SERVICE COMMISSION  
DIRECT TESTIMONY OF KATHLEEN A. WHITE  
DOCKET NO. \_\_\_\_\_**

1 **Q1. Please state your name and position.**

2 A1. My name is Kathleen A. White. I serve as Assistant Controller for Pepco Holdings,  
3 Inc. (PHI) and its utility operating companies, which includes Delmarva Power & Light  
4 Company (Delmarva or the Company).

5 **Q2. What are your responsibilities in your role as Assistant Controller for PHI?**

6 A2. I oversee the PHI Corporate Accounting Department, which includes the asset,  
7 costing, regulatory and general accounting functions, as well as, compliance with the Cost  
8 Allocation Manual (CAM) and the Service Company Agreement (Service Agreement) to  
9 support internal and external financial reporting. The Service Agreement describes the  
10 support services provided by the Service Company to the PHI operating companies as well as  
11 the procedures and allocation methods used to charge costs related to those services to the  
12 operating companies that receive the support services.

13 **Q3. Please state your educational background and professional experience.**

14 A3. I received my Bachelor of Science and Master of Science degrees in Accounting from  
15 the University of Delaware. I am a Certified Public Accountant. I have held various  
16 financial accounting and managerial positions at PHI, Conectiv and Delmarva since 1989.  
17 Prior to joining Delmarva, I was an instructor for financial and managerial accounting classes  
18 at the University of Delaware.

1 **Q4. What is the purpose of your Direct Testimony?**

2 **A4.** The purpose of my testimony is to support:

- 3 1. The accounting books and records of Delmarva; and
- 4 2. PHI's costing and accounting procedures, which are the basis for the actual amounts
- 5 recorded in Delmarva's books and records for the 12 months ended December 31,
- 6 2012 which are the test period amounts used by Company Witness Ziminsky in
- 7 determining the Company's revenue requirements; and
- 8 3. Certain minimum filing requirements.

9 This testimony and accompanying Schedules were prepared by me or under my direct  
10 supervision and control. The source for my testimony are Company records, public  
11 documents, and my personal knowledge and experience.

12 **1. The Books and Records of Delmarva**

13 **Q5. Does the Company maintain its books and records in accordance with the Federal**  
14 **Energy Regulatory Commission (FERC) Uniform System of Accounts and Generally**  
15 **Accepted Accounting Principles (GAAP)?**

16 **A5.** Yes.

17 **Q6. Are the Company's books and records audited by an independent accounting firm?**

18 **A6.** Yes. PricewaterhouseCoopers LLP (PwC) audited the Company's financial  
19 statements included in the 2012 Delmarva 10-K and the 2011 FERC Form No. 1. Copies of  
20 the audit reports issued by PwC related to the Company's 2012 10-K financial statements and  
21 2011 FERC Form No. 1 are attached as Schedule (KAW)-1. PwC concluded that the  
22 Company's financial statements conform with GAAP and the requirements of the FERC's  
23 Uniform System of Accounts in all material respects. PwC will audit the financial

1 statements that will be included in the 2012 FERC Form 1 and their audit report will be  
2 issued in April 2013.

3 **2. PHI'S Costing and Accounting Procedures.**

4 **Q7. Please briefly discuss the Company's organizational structure related to the**  
5 **accounting associated with providing services that are shared between the PHI**  
6 **affiliates.**

7 A7. PHI segregates costs by providing service through separate operating subsidiaries.  
8 In addition, PHI Service Company (Service Company), a subsidiary of PHI, provides  
9 mutual services to the operating companies, including Delmarva. The Service Company  
10 provides a variety of support services in compliance with a Service Agreement included  
11 in the Company's CAM.

12 **Q8. Briefly discuss the Company's cost accounting approach.**

13 A8. The underlying principle of PHI's costing approach is the use of a fully distributed  
14 cost assignment method, sometimes referred to as full costing. Under this method, both  
15 direct and indirect costs are identified and charged for goods and services. The  
16 Company's CAM describes the principle for assigning both direct and indirect costs for  
17 goods and services.

18 **Q9. Have there been independent examinations of the Company's CAM and in**  
19 **particular the Service Company?**

20 Q9. Yes. Attached as Schedule (KAW)-2 is a listing of the independent examinations  
21 of the Company's CAM and/or Service Company charging and allocation of costs.

1 **Q10. Have these completed independent examinations revealed any material or**  
2 **substantive issues with the calculation of the Service Company charges?**

3 A10. No. In each of the completed examinations, the auditors found the Service  
4 Company allocations and charges to be consistent with the CAM and the Service  
5 Agreement.

6 **3. Supporting Minimum Filing Requirements.**

7 **Q11. Please list the filing requirements that you are sponsoring.**

8 A11. I am supporting the following filed Minimum Filing Requirements.

9 Supporting documents previously filed:

- 10 • Annual and Quarterly reports to FERC (FERC Form Nos. 1 and 3Q) for  
11 2011, March 31, 2012, June 30, 2012 and September 30, 2012.
- 12 • PHI and Delmarva SEC Form 10-K for 2012.
- 13 • PHI and Delmarva SEC Form 10-Q for March 31, 2012 and June 30, 2012  
14 and September 30, 2012.
- 15 • 2011 Annual Report to Stockholders dated March 28, 2012

16 Supporting documents included in this filing:

- 17 • Schedule No. 3N – AFUDC.

18 **Q12. Does this conclude your Direct Testimony?**

19 A12. Yes, it does.



## Report of Independent Auditors

To the Board of Directors of  
Delmarva Power & Light Company:

We have audited the accompanying balance sheets of Delmarva Power & Light Company (the "Company") as of December 31, 2011 and 2010 and the related statements of income, retained earnings, cash flows and accumulated comprehensive income, comprehensive income, and hedging activities for the years then ended, included on pages 110 through 123 of the accompanying Federal Energy Regulatory Commission Form No. 1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the board of directors and management of the Company and for filing with the Federal Energy Regulatory Commission and should not be used for any other purpose.

*PricewaterhouseCoopers LLP*

April 18, 2012

**Report of Independent Registered Public Accounting Firm**

To the Shareholder and Board of Directors of  
Delmarva Power & Light Company

In our opinion, the financial statements of Delmarva Power & Light Company (a wholly owned subsidiary of Pepco Holdings, Inc.) listed in the accompanying index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Delmarva Power & Light Company at December 31, 2012 and December 31, 2011, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule of Delmarva Power & Light Company listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

February 28, 2013

**Cost Allocation Manual  
Service Company  
Independent Examinations**

<u>Jurisdiction</u>	<u>Auditor</u>	<u>Audit period</u>
Securities and Exchange Commission (SEC)	SEC Public Utility Holding Company Act Staff	1999-September 2000 2003 - 2004
Delaware Public Service Commission	Deloitte and Touche	12me December 1997 12me December 1998 12me December 2001
	PricewaterhouseCoopers LLP (PwC)	12me December 2004 12me December 2007 12me December 2010
New Jersey Board of Public Utilities	PMC-WGA Liberty Consultants Overland Consulting	2000 2002 2005-2008
Maryland Public Service Commission	Ernst & Young	12me September 2006
	PwC	12me September 2006 12me September 2008 12me June 2009 12me September 2010 12me June 2011 12me June 2012
Public Service Commission of the District of Columbia	KPMG	2007-2008
Federal Energy Regulatory Commission (FERC)	FERC Division of Audit Staff	2008-2009